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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING May 01, 2003 AND ENDING April 30, 2004
MM/DD/YY MM/DD/YY

SEC FILE NUMBER

8- 207093

RECEIVED

JUN 30 2004

WASHINGTON
SECTION

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Perkins, Smart & Boyd, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

4330 Shawnee Mission Parkway, Suite 204

(No. and Street)

Shawnee Mission

Kansas

66205

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

F. Scott Perkins

913-384-5900

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Prestia Vick & Associates, LLC

(Name - if individual, state last, first, middle name)

3130 Broadway

Kansas City

Missouri

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JUL 09 2004

THOMSON
FINANCIAL

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FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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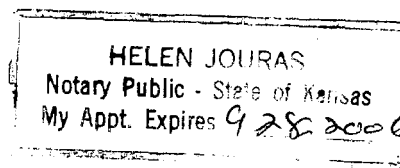
OATH OR AFFIRMATION

I, F. Scott Perkins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Perkins, Smart & Boyd, Inc., as of April 30, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

F. Scott Perkins
Signature

Title

Helen Jouras
Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



PERKINS, SMART & BOYD, INC.

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

APRIL 30, 2004

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PRESTIA VICK & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

3130 BROADWAY
KANSAS CITY, MISSOURI 64111
(816) 753-8036 • (816) 753-0622 FAX
E-MAIL: cpa@prestiaivick.com

F. MICHAEL PRESTIA, CPA

BUD L. VICK, CPA, CVA

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
PERKINS, SMART & BOYD, INC.

We have audited the accompanying statement of financial condition of Perkins, Smart & Boyd, Inc., as of April 30, 2004, and the related statements of income, changes in stockholders' equity, cash flows, and changes in liabilities subordinated to claims of general creditors for the years then ended. In addition, we audited the supplementary schedules of computation of net capital, computation of basic net capital requirements, computation of aggregate indebtedness, computation of determination of reserve requirements, information relating to the possession or control requirements and reconciliation pursuant to Rule 17a-5(d)(4). These financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and supplementary schedules referred to above present fairly, in all material respects, the financial position of Perkins, Smart & Boyd, Inc. at April 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prestia Vick & Associates, LLC

May 27, 2004

Statement of Financial Condition

April 30, 2004

Assets

Current assets:		
Cash and cash equivalents	\$	44,243
Commissions receivable		32,617
Income tax receivables		1,196
Investments		209,764
Prepaid expense		<u>5,954</u>
Total current assets		<u>293,774</u>
Property, plant and equipment:		
Office furniture and fixtures		27,471
Computer equipment		<u>62,766</u>
Total property, plant and equipment		90,237
Less accumulated depreciation		<u>78,550</u>
Net property, plant and equipment		<u>11,687</u>
Other assets:		
Deposits with clearing organizations		30,003
Other deposits		1,307
Customer accounts, net of accumulated amortization of \$30,830		<u>19,170</u>
Total other assets		<u>50,480</u>
Total assets	\$	<u>355,941</u>

Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	\$	22,660
Payroll taxes payable		33,619
Deferred tax liability		<u>27,297</u>
Total liabilities		<u>83,576</u>
Stockholders' equity:		
Common stock, \$10.00 par value		
Authorized - 12,500 shares		
Issued and outstanding - 3,180 shares		31,800
Additional paid-in capital		5,000
Retained earnings		<u>235,565</u>
Total stockholders' equity		<u>272,365</u>
Total liabilities and stockholders' equity	\$	<u>355,941</u>

See accompanying notes to financial statements.

PERKINS, SMART & BOYD, INC.

Statement of Income

For the Year Ended April 30, 2004

Revenue:		
Commissions	\$	1,327,438
Fees		17,259
Realized investment gain - net		33,337
Unrealized investment gain - net		135,763
Interest		<u>49,395</u>
Total revenue		<u>1,563,192</u>
Expenses:		
Commissions		145,414
Salaries and benefit		761,420
Depreciation expense		9,519
Other operating expenses		<u>603,814</u>
Total expenses		<u>1,520,167</u>
Income before income taxes		43,025
Income taxes:		
Current		(4,588)
Deferred		<u>33,400</u>
Total income taxes		<u>28,812</u>
Net income	\$	<u><u>14,213</u></u>

See accompanying notes to financial statements.

PERKINS, SMART & BOYD, INC.

Statement of Changes in Stockholders' Equity

For the Year Ended April 30, 2004

	<u>Common Shares Issued and Outstanding</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>		<u>Retained Earnings</u>		<u>Total</u>
Balances at April 30, 2003	3,180	\$	31,800	\$	5,000	\$	221,352	\$	258,152
Net income	<u> </u>		<u> </u>		<u> </u>		<u>14,213</u>		<u>14,213</u>
Balances at April 30, 2004	<u>3,180</u>	\$	<u>31,800</u>	\$	<u>5,000</u>	\$	<u>235,565</u>	\$	<u>272,365</u>

See accompanying notes to financial statements.

PERKINS, SMART & BOYD, INC.

**Statement of Changes in Liabilities Subordinated
to Claims of General Creditors**

For the Year Ended April 30, 2004

There were no liabilities subordinated to the claims of creditors at the beginning or end of the year or at any time during the year.

See accompanying notes to financial statements.

Statement of Cash Flows

For the Year Ended April 30, 2004

Cash flows from operating activities:	
Net income	\$ 14,213
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	9,519
Amortization	3,333
Unrealized investment gains	(135,763)
Change in current assets and liabilities:	
(Increase) decrease in:	
Commissions receivable	18,410
Other receivables	37,221
Prepaid expenses	(198)
Accrued tax benefit	6,944
Increase (decrease) in:	
Accounts payable	1,828
Deferred tax liability	27,297
Payroll taxes payables	<u>2,127</u>
Net cash used by operating activities	<u>(15,069)</u>
Cash flows from investing activities:	
Sale of securities	54,041
Purchase of fixed assets	<u>(9,519)</u>
Net cash provided by investing activities	<u>44,522</u>
Net decrease in cash	29,453
Cash and cash equivalents at beginning of year	<u>14,790</u>
Cash and cash equivalents at end of year	\$ <u><u>44,243</u></u>

See accompanying notes to financial statements.

Notes to Financial Statements

April 30, 2004

1) Description of Business and Summary of Significant Accounting PoliciesDescription of Business

Perkins, Smart & Boyd, Inc. (Company) is a full service securities broker providing investment advisory and other related services to clients in the United States. It operates as an introducing broker on a fully disclosed basis and does not hold funds or securities for customers. The Company is a member of the National Association of Securities Dealers (NASD) and the Securities Investor Protection Corporation (SIPC). The Company was incorporated under Kansas laws and commenced operations on May 5, 1976.

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and preserves all related books and records as are customarily kept by a clearing broker-dealer.

Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Receivables

The Company considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Office Furniture and Equipment

Office furniture and equipment are recorded at cost. Major renewals and betterments are capitalized, and maintenance and repairs which do not improve or extend the life of the respective assets are charged against earnings in the current period. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their useful lives of five to seven years using accelerated recovery methods.

Investments

Investments are carried at market value and consist of common stock held for trading purposes. Net unrealized gains included in earnings for the year ended April 30, 2004 are \$135,763.

Intangibles

Customer accounts acquired with the purchase of a business in February 1995 are being amortized over 15 years.

Revenue Recognition

Customers' securities transactions and related commission income and expense are recorded on a trade date basis.

Income Taxes

Income tax provisions are based on income reported for financial statement purposes. Deferred income taxes arise from the recognition of temporary differences between income determined for financial and tax purposes. Such temporary differences are principally related to the use of accelerated depreciation methods for tax purposes, the difference between the book and tax basis of investment securities, and the net effect of the conversion from accrual accounting to cash basis accounting for income tax purposes.

Notes to Financial Statements

April 30, 2004

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Because of the nature and size of the Company's operations, it occasionally maintains cash balances in excess of Federally insured limits at financial institutions. The Company has not experienced any losses on such accounts.

2) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 10 to 1. Rule 15c3-1 also provided that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At April 30, 2004, the Company had net capital of \$185,359, which was \$135,359 in excess of its required net capital of \$50,000. The Company's net capital ratio was .45 to 1.

3) Income Taxes

The Company's effective income tax rate of 67% differs from the Federal statutory tax rate of 35% for the following reasons:

Statutory Federal rate	35	%
Effect of expenses that are not deductible for tax return purposes	24	
Rate differential in calculation of current tax benefit	9	
Other	<u>(1)</u>	
Effective income tax rate	<u>67</u>	%

4) Operating Lease

The Company leases office space and equipment under various operating leases. Minimum future obligations on these operating leases are as follows:

<u>Year Ended</u>	
April 30, 2005	\$ 68,372
April 30, 2006	68,372
April 30, 2007	68,372
April 30, 2008	58,940
April 30, 2009	58,940

Total rent expense under operating leases for the year ended April 30, 2004 was \$68,683.

Notes to Financial Statements

April 30, 2004

5) **Deposits**

Deposits with clearing organizations represent funds required to remain on deposit with the Company's clearing brokers, Southwest Securities, Inc. and First Southwest Securities, Inc. Withdrawals can be made only with the permission of the clearing companies, and a minimum balance of \$10,000 and \$20,000, respectively, must be maintained at all times.

6) **Employee Benefit Plan**

The Company has a 401(k) plan for the benefit of all eligible employees. Participants may elect to defer up to 10% of their annual compensation to be contributed to the plan subject to limits as specified by the Internal Revenue code. During the year ended April 30, 2004, the company made no matching contributions to the plan.

7) **Financial Instruments with Off-balance-sheet Credit and Market Risk**

Customer transactions are introduced to and cleared through clearing brokers. Under the terms of its clearing agreement, the Company is required to guarantee the performance of its customers in meeting contracted obligations. Such transaction may expose the Company to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. In conjunction with the clearing brokers, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines. Compliance with the various guidelines is monitored daily and, pursuant to such guidelines, the customers may be required to deposit additional collateral, or reduce positions where necessary.

The Company does not anticipate nonperformance by customers or its clearing brokers. In addition, the Company has a policy of reviewing, as considered necessary, the clearing broker with which it conducts business.

8) **Material Inadequacies**

None noted.

SUPPLEMENTARY INFORMATION

**Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934**

As of April 30, 2004

Schedule I

**Computation of Net Capital
Under Rule 15c3-1 of the
Securities and Exchange Commission**

As of April 30, 2004

Net Capital

Total stockholders' equity	\$ 272,365
Ownership equity not allowable for net capital:	
Other receivables	1,196
Prepaid expenses	5,954
Property and equipment	11,687
Customer accounts	19,170
Other deposits	<u>1,307</u>
	233,051
Haircuts on investments	<u>47,692</u>

Net capital	\$ <u>185,359</u>
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Aggregate Indebtedness

Total aggregate indebtedness	\$ <u>83,576</u>
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Computation of Basic Net Capital Requirement

Minimum net capital required	\$ <u>50,000</u>
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Excess of net capital	\$ <u>135,359</u>
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Ratio: aggregate indebtedness to net capital	<u>.45 to 1</u>
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**Computation of Net Capital
Under Rule 15c3-1 of the
Securities and Exchange Commission**

As of April 30, 2004

A RECONCILIATION PURSUANT TO RULE 17a-5(D)(4)
(included in Part IIA of Focus Report as of April 30, 2004)

Total ownership equity qualified for net capital per April 30, 2004, Part II A	\$ 347,102
Decrease in other receivable	(36,035)
Decrease in accrued tax benefit	(1,514)
Decrease in property and equipment	(5,736)
Increase in accounts payable	(4,154)
Increase in deferred tax liability	(27,298)
Total ownership equity qualified for net capital per April 30, 2004 audit report	\$ <u>272,365</u>
Non-allowable assets per April 30, 2004 Part II A	\$ 82,600
Decrease in other receivable	36,036
Decrease in property and equipment	5,736
Decrease in accrued tax benefit	<u>1,514</u>
Non-allowable assets per April 30, 2004 audit report	\$ <u>39,314</u>
Net capital, as reported in Company's Part II A	\$ 216,810
Decrease in ownership equity qualified for net capital Per April 30, 2004 audit report	<u>31,451</u>
Net capital per April 30, 2004 audit report	\$ <u>185,359</u>

Schedule II

**Computation of Determination of
Reserve Requirements and Information
Relating to Possession or Control
Requirements Under Rule 15c3-3 of the
Securities and Exchange Commission**

As of April 30, 2004

The Company did not make a computation for determining the reserve requirement or supply information relating to the possession or control requirements pursuant to Rule 15c3-3 as they are exempt pursuant to subparagraph (k)(1) of Rule 15c3-3.

**INDEPENDENT ACCOUNTANTS' REPORT ON
INTERNAL ACCOUNTING CONTROL**

PRESTIA VICK & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

3130 BROADWAY
KANSAS CITY, MISSOURI 64111
(816) 753-8036 • (816) 753-0622 FAX
E-MAIL: cpa@prestia-vick.com

F. MICHAEL PRESTIA, CPA

BUD L. VICK, CPA, CVA

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Perkins, Smart & Boyd, Inc.

In planning and performing our audit of the financial statements of Perkins, Smart & Boyd, Inc. for the year ended April 30, 2004, we considered its internal control structure including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

INDEPENDENT ACCOUNTANTS' REPORT - Continued

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at April 30, 2004, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Prestia Visk & Associates, LLC

May 27, 2004